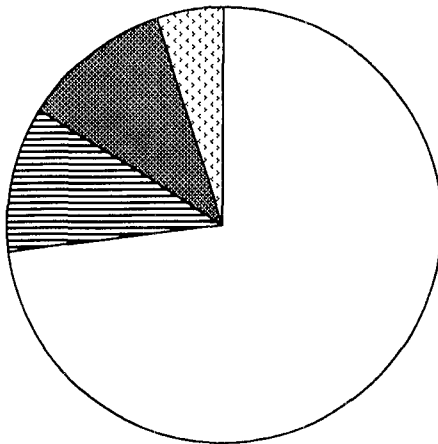


WATER POLLUTION CONTROL CAPITAL PROGRAM

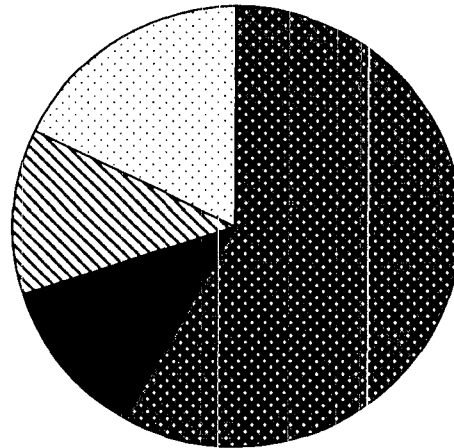
2006-2010 Capital Improvement Program

2005-2006 Adopted
Source of Funds



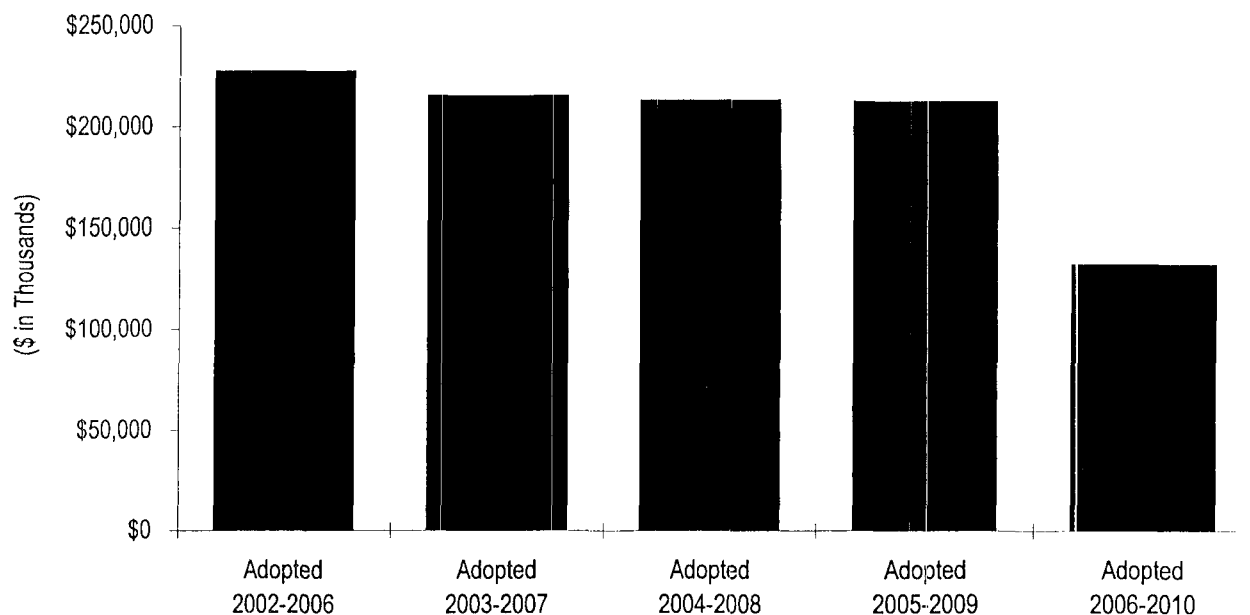
- Beginning Fund Balance
- ▨ Other Government Agencies
- ▧ Loans & Transfers
- ▩ Miscellaneous

2005-2006 Adopted
Use of Funds



- ▩ Construction
- Non-Construction
- ▧ Reserves
- Ending Fund Balance

CIP History



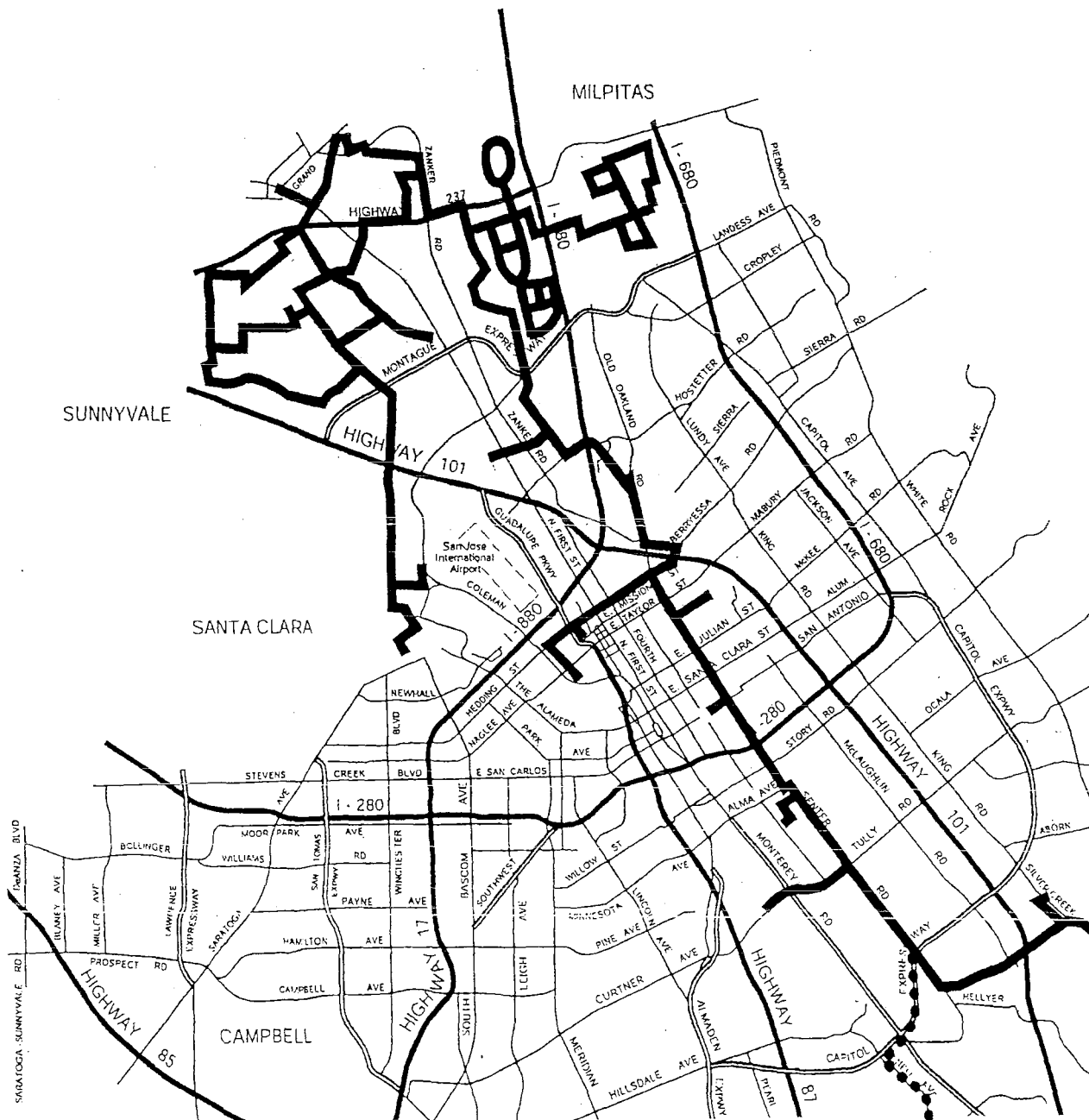
2006-2010 CAPITAL IMPROVEMENT PROGRAM

WATER POLLUTION CONTROL NORTHERN SAN JOSE

URBAN SERVICE AREA

— APPROXIMATE PROJECT LOCATION
PHASE I OF THE SOUTH BAY
WATER RECYCLING PROJECT

... APPROXIMATE PROJECT LOCATION
PHASE II OF THE SOUTH BAY
WATER RECYCLING PROJECT



Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Overview

Introduction

The San José/Santa Clara Water Pollution Control Plant (Plant) is a regional wastewater treatment facility serving eight tributary sewage collection agencies (Agencies), including municipalities and sanitary sewer districts. The service area includes the following cities and adjacent, unincorporated County territory: San José, Santa Clara, Milpitas, Cupertino Sanitary District, West Valley Sanitary District (Campbell, Los Gatos, Monte Sereno and Saratoga), County Sanitation Districts 2-3, Sunol and Burbank Sanitary Districts. The Plant is jointly owned by the cities of San José and Santa Clara and is administered and operated by the City of San José's Environmental Services Department (ESD), which is also responsible for planning, designing and constructing new wastewater treatment and water reuse facilities.

Capital costs are estimated annually by ESD staff and are reviewed and recommended as a budget by the Treatment Plant Advisory Committee to the San José City Council for appropriation. The costs are allocated to each Agency based on its contracted-for capacity in the Plant. Each Agency is responsible for its allocated share of Plant costs, as well as its own sewage collection system maintenance, operation, and capital costs; debt service on bonds issued by the Agency for sewer purposes; and any other sewer service related costs. Each Agency is also responsible for establishing and collecting its respective sewer service and use charges, connection fees or other charges for sewer service.

A revenue program is prepared annually by each Agency to establish its sewer service and use charge rates. Rates are adopted by ordinance, or resolution, of the governing

body of each Agency. The Agencies' revenue programs, ordinances and resolutions are submitted to the City of San José, as the administering agency, for review to determine conformance with State Water Resources Control Board (SWRCB) revenue program guidelines and are then submitted by San José to the SWRCB for review and certification.

This program is part of the Environmental and Utility Services City Service Area (CSA) and supports the following outcomes: *Reliable Utility Infrastructure* and *Healthy Streams, Rivers, Marsh, and Bay*.

Program Priorities and Objectives

The Plant Capital Improvement Program (CIP) projects are evaluated using the following criteria established by ESD:

- Projects needed for health and safety.
- Projects needed to maintain the quality of effluent flow.
- Projects mandated by regulatory agencies.
- Projects that ensure adequate process reliability.
- Projects that improve efficiency and effectiveness.

Sources of Funding

The 2006-2010 Adopted CIP provides funding of \$132.4 million, of which \$55.2 million is allocated in 2005-2006.

Revenues for the Five-Year CIP are derived from seven sources: Contributions from the City of Santa Clara and Other Agencies (\$34.7 million); transfers from the City of San José Sewer Service and Use Charge Fund (\$33.4

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Overview

Sources of Funding (Cont'd.)

million) and the Sewage Treatment Plant Connection Fee Fund (\$15.4 million); Interest (\$6.3 million); Calpine Metcalf Energy Center Facilities Repayments (\$1.9 million); and federal grants from the US Bureau of Reclamation (\$500,000). In addition, \$39.9 million from the available fund balance is programmed to support projects.

Contributions from the City of Santa Clara and other agencies are determined by agreements with the participating agencies, financing plans, anticipated expenditures for the Plant and the amount and characteristics of flows to the treatment plant. These contributions reimburse the City for actual project expenditures. In this Adopted CIP, these transfers total \$34.7 million which represents a \$6.0 million (14.7%) reduction compared to the 2005-2009 Adopted CIP. This decline results from a decline in reimbursements assumed in this CIP due to a decrease in programmed project costs in the 2006-2010 Adopted CIP compared to the 2005-2009 Adopted CIP.

The Sewer Service and Use Charge Fund is an operating fund that derives its revenues from fees imposed on San José's residential, commercial, and industrial users of the sanitary sewer system and represents the largest source of funding for this capital program. Transfers from the Sewer Service and Use Charge Fund to the Water Pollution Control Capital Improvement Program reflect a \$4.6 million (15.9%) increase compared to the 2005-2009 Adopted CIP. In 2004-2005, the City Council approved a three-year 4.5% annual rate increase strategy to the Sewer Service and Use Charge fee, representing the first increase to this fee since 1994. These

increases will continue through the first two years of this CIP. Continuation of annual increases in the range of 5% annually, beyond the Council-approved three-year rate increase strategy, will be required to maintain the program represented in this document and have been assumed in preparation of the current CIP. These increases will fund projects as described in the "Program Highlights" category below.

An annual transfer of \$3.08 million is anticipated from San José's Sewage Treatment Plant Connection Fee Fund and is programmed as part of the 2006-2010 Adopted CIP. This transfer is consistent with the amount programmed in the 2005-2009 Adopted CIP.

Program Highlights

Plant Reliability Improvements

The Plant has a current maximum wet weather flow capacity rated at 271 mgd. In the past, the Plant has experienced peak storm flows, in excess of 320 mgd, that have forced an overload of certain operational treatment processes. In November 2001, Plant staff completed a study to assess the Plant's infrastructure and ability to increase wet weather operational capacity.

As a result of the study, improvements were identified that would significantly increase the Plant's wet weather flow peak capacity and operational reliability. These improvements are estimated to increase the Plant's wet weather flow peak capacity to approximately 400 mgd. The Plant Reliability Improvements project was awarded on February 15, 2005 and includes the following components: 1) additions and improvements of piping

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Overview

Program Highlights (Cont'd.)

Plant Reliability Improvements (Cont'd.)

systems, and hydraulic improvements for flow equalization; 2) a new raw sewage pump station and new filter influent pump station; and 3) most importantly, additional parallel headworks facilities that will allow the shutdown of the current headworks facility for much needed maintenance work. This project is scheduled for completion in the second quarter of 2009.

The lowest bid on the construction contract for the Plant Reliability Improvements project was significantly higher than budgeted, due in part to the rapid price escalation of cement, reinforced concrete pipe, and steel. In order to fund this project, given the cost escalations, additional funding was provided through a transfer from the Sewage Treatment Plant Connection Fee Fund, a reprioritization of projects, and the realization of project savings. As a result of these actions, several schedule changes to projects are included in this CIP, including the delay of the start date of the Plant Electrical Reliability project from 2004-2005 to 2008-2009, the delay of the Inactive Lagoons Bio-Solids Removal project from 2006-2007 to 2007-2008, and the removal of the Filter Improvements project from this CIP. An increase to the Plant Infrastructure Improvements allocation was approved to ensure adequate reserve funding is available to perform emergency electrical repairs and replacement, as necessary, until the start of the Plant Electrical Reliability project, and to fund other critical repairs at the Treatment Plant.

South Bay Action Plan

A South Bay Action Plan (SBAP) has been a requirement of the Plant's National Pollution Discharge Elimination System (NPDES) permit since 1991 and includes projects necessary to reduce average dry weather effluent flow from the Plant to below the 120 million gallons per day (mgd) flow trigger, or to levels that protect salt marsh habitat for endangered species in the South Bay. The requirement has changed from specific elements included in the discharge permit to the submission of an annual work plan that allows for adaptive management. In June 1997, both the San Francisco Bay Regional Water Quality Control Board (Regional Board) and the San José City Council approved the Revised South Bay Action Plan (RSBAP). The RSBAP was included as a provision of the 1998 NPDES permit and included the Expanded Water Recycling, Industrial Water Recycling/Reuse, Groundwater Inflow/Infiltration Reduction, and Environmental Enhancement Pilot projects. In February 1998, Council approved a financing plan that identified \$127 million in funding sources for the RSBAP, primarily through State Revolving Fund loans from the State Water Resources Control Board (SWRCB), and Treatment Plant Capital Fund reserves. Included in the \$127 million was \$100 million for water recycling projects.

On September 17, 2003 the Regional Board approved a new NPDES permit for the Plant and continued the requirement for a South Bay Action Plan to comply with the original 1991 Regional Board Resolution.

The Regional Board SBAP requirement states that the Discharger will continue to

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Overview

Program Highlights (Cont'd.)

South Bay Action Plan (Cont'd.)

implement its water conservation, industrial recycling and reuse, and recycling programs. Council approved the first annual SBAP work plan under the 2003 NPDES permit on February 17, 2004. The 2004 SBAP Work plan elements include:

1. Water Efficiency Programs - Industrial recycling/reuse and indoor water conservation. Programs will continue but at a reduced level of effort.
2. South Bay Water Recycling System - Completion of the Silver Creek Pipeline extension to Coyote Valley and the Metcalf Energy Center, and continue collaborative effort with the Santa Clara Valley Water District for future expansion, operation and maintenance of the system.
3. Salt Marsh Vegetative Assessment - Perform marsh assessments in 2005 and 2007 to identify salt marsh conversion in the study area. Historically, the City has performed marsh assessments on an annual basis and is investigating more cost-effective and efficient methods of continuing the annual assessments.
4. California Clapper Rail and the Salt Marsh Harvest Mouse Survey. In 2006, perform a synoptic survey of the clapper rail and harvest mouse. This was included in the work plan, but not required in 2004.

Other Projects

The 2006-2010 Adopted Capital Budget includes other major projects that will require an investment of capital funds. These projects are required to meet regulatory mandates or ensure process reliability:

- Alternative Disinfection (design and build) - \$4.5 million in this CIP, \$5.1 million total project costs
- Plant Electrical Reliability (formerly Electrical System Improvements) - \$17.0 million in this CIP, \$67.7 million total project costs
- Land Management & Improvements - \$5.6 million
- Dissolved Air Flotation Pressure Retention Tank & Valves - \$1.2 million in this CIP, \$1.6 million total project costs
- Replace Generators 1-5 (Power and Air Building) - \$1.0 million in this CIP, \$13.0 million total project costs
- Inactive Lagoons Bio-Solids Removal, Phase 1 (characterization of solids) - \$500,000 in this CIP, \$1.9 million total project costs

Reserve for Equipment Replacement

As in prior Capital Improvement Programs, the 2006-2010 Adopted CIP includes a minimum \$5.0 million reserve for equipment replacement. This reserve minimum was established to satisfy three contractual requirements:

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Overview

Program Highlights (Cont'd.)

Reserve for Equipment Replacement (Cont'd.)

- The State Water Resources Control Board's (SWRCB) Policy for implementing the State Revolving Fund for Construction of Wastewater Treatment requires that annual revenue requirements include funds for the replacement of major equipment for maintaining the capacity and performance of the treatment plant over its useful life. Compliance with the SWRCB's policy is a requirement of our State Revolving Fund Loan Agreements. Equipment replacement of \$7.7 million and a reserve of \$5.0 million are included in the 2006-2010 Adopted CIP to satisfy this requirement.
- The Clean Water Financing Authority (CWFA) Bond Covenants require that a reserve be maintained at a minimum level of \$5.0 million to help pay the costs of extraordinary repairs and for renewal and replacement of the treatment plant when insurance and other funds budgeted for such purposes are exhausted, or are insufficient to meet the need.
- The Master Agreements for Wastewater Treatment between City of San José, City of Santa Clara, and Tributary Agencies established a replacement fund to deposit annual contributions for the replacement of major treatment plant equipment. The Master Agreements also require

that each agency pay its proportionate share of the annual replacement contribution.

Major Changes from the 2005-2009 Adopted CIP

Major changes from the 2005-2009 Adopted CIP include the following:

- Programming of funding for the Plant Electrical Reliability project reflecting a delay in the start of the project from 2004-2005 until 2008-2009 due to higher than anticipated costs in the Plant Reliability Improvements project described above.
- Additional funding in the amount of \$11.7 million to fund the Plant Infrastructure Improvements program to fund emergency electrical repairs and replacement.
- Elimination of the Filter Improvements project in the amount of \$6.0 million to fund higher priority projects due to higher than anticipated costs in the Plant Reliability Improvements project described above.
- Additional funding in the amount of \$5.1 million for Land Management and Improvements to fund the review, planning, and environmental mitigation for possible alternative uses of salt pond A18.
- Reallocation of funding for the Dissolved Air Flotation Pressure Retention Tank & Valves project from \$200,000 annually to \$402,000 every other year.

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Overview

Major Changes from the 2005-2009 Adopted CIP (Cont'd.)

- New funding for the replacement of Generators 1-5 in the Power and Air Building (\$1.0 million this CIP, \$13.0 million total project costs).

Operating Budget Impact

The Alternative Disinfection project in the 2006-2010 Adopted CIP is anticipated to have an impact on the operating budget, which is supported by the San José-Santa Clara

Treatment Plant Operating Fund. This project switches the disinfection method used at the Plant from a chlorine gas and sulfur dioxide system to a safer, alternative liquid sodium hypochlorite and sodium bisulfite system, which reduces the risk of a massive catastrophe. The following table shows the increase in chemical costs as a result of the project. All projects anticipated to be operational in 2005-2006 have been addressed in the 2005-2006 Adopted Operating Budget.

Net Operating Budget Impact Summary

	2006-2007	2007-2008	2008-2009	2009-2010
Alternative Disinfection	\$ 0	\$3,000,000	\$3,075,000	\$3,152,000
Total	\$ 0	\$3,000,000	\$3,075,000	\$3,152,000

Note: The estimated operating costs have been provided by the Environmental Services Department and have not yet been fully analyzed by the Budget Office. That analysis may well result in different costs when the actual budget for the year in question is formulated.

Council Approved Revisions to the Proposed Capital Improvement Program

During the June budget hearings, the City Council approved the rebudgeting of \$20.8 million for three projects: Revised South Bay Action Plan – SBWR Extension (\$20.0 million); WPCP Reliability Improvements (\$600,000); and South Bay Water Recycling Program (\$200,000).

2005-2006 CAPITAL BUDGET

2006-2010 CAPITAL IMPROVEMENT PROGRAM

WATER POLLUTION CONTROL

SOURCE OF FUNDS

USE OF FUNDS

The Source of Funds displays the capital revenues by funding source for each year of the Five-Year Capital Improvement Program. The Use of Funds displays the capital expenditures by line-item for each year of the five-year period.

Water Pollution Control Capital Program
2006-2010 Adopted Capital Improvement Program
Source of Funds

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	5-Year Total
<u>SOURCE OF FUNDS</u>							
<u>San José-Santa Clara Treatment Plant Capital Fund</u>							
Beginning Fund Balance	107,722,954	40,274,673	9,809,673	6,653,673	2,986,673	4,331,673	40,274,673 *
Revenue from Other Agencies:							
<u>Federal Government</u>							
- U.S. Bureau of Reclamation Grant (SBWRP)	500,000	500,000					500,000
<u>State Government</u>							
- Silver Creek Segment Grant (Prop 13)	1,350,000						
<u>Water Pollution Control Plant User Agencies</u>							
- 1995/1997 Bond Debt Service Payment	1,309,000	1,697,000	1,662,000	1,662,000	1,660,000	1,675,000	8,356,000
- Equipment Replacement	607,000	591,000	591,000	591,000	591,000	591,000	2,955,000
- SRF Loan Repayment	1,384,000	1,384,000	1,384,000	1,384,000	1,384,000	1,384,000	6,920,000
- WPCP Projects	8,300,000	1,825,000	1,750,000	2,300,000	1,985,000	8,590,000	16,450,000
<u>Santa Clara Valley Water District</u>							
- Silver Creek Pipeline Contribution	2,800,000						
Contributions, Loans and Transfers from:							
<u>Special Funds</u>							
- Transfer from Sewage Treatment Plant Connection Fee Fund (539)	13,080,000	3,080,000	3,080,000	3,080,000	3,080,000	3,080,000	15,400,000
- Transfer from Sewer Service and Use Charge Fund (541)	4,400,000	2,000,000	3,000,000	4,000,000	6,000,000	13,000,000	28,000,000

* The 2006-2007 through 2009-2010 Beginning Balances are excluded from the FIVE-YEAR TOTAL SOURCE OF FUNDS to avoid multiple counting of the same funds.

Water Pollution Control Capital Program
2006-2010 Adopted Capital Improvement Program
Source of Funds

SOURCE OF FUNDS (CONT'D.)	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	5-Year Total
<u>San José-Santa Clara Treatment Plant Capital Fund</u>							
Contributions, Loans and Transfers from:							
<u>Special Funds</u>							
- Transfer from Sewer Service and Use Charge Fund (541) - Equipment Replacement (San José)	1,056,000	1,072,000	1,072,000	1,072,000	1,072,000	1,072,000	5,360,000
Interest Income	2,975,000	2,368,000	1,980,000	1,135,000	324,000	473,000	6,280,000
Miscellaneous Revenue							
- Calpine Metcalf Energy Center Facilities Repayment	389,000	389,000	389,000	389,000	389,000	389,000	1,945,000
Reserve for Encumbrances	30,748,719						
Total San José-Santa Clara Treatment Plant Capital Fund	176,621,673	55,180,673	24,717,673	22,266,673	19,471,673	34,585,673	132,440,673 *
TOTAL SOURCE OF FUNDS	176,621,673	55,180,673	24,717,673	22,266,673	19,471,673	34,585,673	132,440,673 *

* The 2006-2007 through 2009-2010 Beginning Balances are excluded from the FIVE-YEAR TOTAL SOURCE OF FUNDS to avoid multiple counting of the same funds.

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Use of Funds

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	5-Year Total
USE OF FUNDS							
<u>Construction Projects</u>							
Water Pollution Control Managed Projects							
Administration Building & Gate	50,000						
Security Improvements							
Alternative Disinfection	600,000		4,500,000				4,500,000
Biological Nutrient Removal Q2	100,000						
Air Upgrade							
Computer & Instrumentation	195,000						
Improvements							
Filter Influent & Effluent Meter	200,000						
Replacement							
Filter Influent Pumps 1 Thru 4	923,000						
Controller Replacement							
Headworks Redundancy	1,000						
Modifications							
Inactive Lagoons Bio-Solids	353,000			500,000			500,000
Removal							
Plant Electrical Reliability	4,551,000				2,003,000	15,024,000	17,027,000
Raw Sewage & Effluent	100,000						
Sampling Stations							
Replace Generators 1-5 (Power					1,000,000		1,000,000
and Air Building)							
Revised South Bay Action Plan -	50,000						
Inflow/Infiltration Reduction							
Technical Services Building	25,000						
1. Dissolved Air Flotation		402,000		402,000		402,000	1,206,000
Pressure Retention Tank &							
Valves							
2. Land Management &	55,000	150,000	150,000	150,000	150,000	5,000,000	5,600,000
Improvements							
3. WPCP Reliability	80,026,000	600,000		2,009,000			2,609,000
Improvements							
Total Water Pollution Control	87,229,000	1,152,000	4,650,000	3,061,000	3,153,000	20,426,000	32,442,000

Water Pollution Control Capital Program
2006-2010 Adopted Capital Improvement Program

Use of Funds

USE OF FUNDS (CONT'D.)	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	5-Year Total
<u>Construction Projects</u>							
Water Pollution Control Managed Projects							
Managed Projects							
Watershed Protection Managed Projects							
ESD MIS Improvements	734,000						
Lab Information Management System	500,000						
Salt Marsh Restoration	749,000						
South Bay Water Recycling Program	165,000	200,000					200,000
4. Revised South Bay Action Plan - Industrial Recycle/Reuse	50,000	100,000	100,000	100,000	100,000		400,000
5. Revised South Bay Action Plan - SBWR Extension	31,832,000	20,391,000	391,000	391,000	391,000	391,000	21,955,000
Total Watershed Protection Managed Projects	34,030,000	20,691,000	491,000	491,000	491,000	391,000	22,555,000
Recurring Projects							
6. Equipment Replacement	2,564,000	1,600,000	1,525,000	1,525,000	1,525,000	1,525,000	7,700,000
7. Plant Infrastructure Improvements	5,636,000	8,418,000	4,827,000	7,632,000	3,401,000	5,238,000	29,516,000
8. Unanticipated/Critical Repairs	332,000	250,000	250,000	250,000	250,000	250,000	1,250,000
Total Recurring Projects	8,532,000	10,268,000	6,602,000	9,407,000	5,176,000	7,013,000	38,466,000
Total Construction Projects	129,791,000	32,111,000	11,743,000	12,959,000	8,820,000	27,830,000	93,463,000

Water Pollution Control Capital Program
2006-2010 Adopted Capital Improvement Program

Use of Funds

USE OF FUNDS (CONT'D.)	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	5-Year Total
<u>Non-Construction</u>							
General Non-Construction							
Budget Office - Capital Program Staff	65,000						
CIP Action Team	41,000						
City Hall Furniture, Fixtures and Equipment		12,000	12,000	12,000	12,000	12,000	60,000
City Hall Occupancy		4,000	34,000	34,000	35,000	34,000	141,000
Civic Center Start-up Costs	1,000						
Information Technology Staff	86,000						
9. Arbitrage Rebate Payment	100,000	300,000					300,000
10. Payment for Clean Water Financing Authority Trustee	135,000	70,000	135,000	135,000	135,000	135,000	610,000
11. State Revolving Fund Loan Repayment	4,464,000	4,464,000	4,464,000	4,464,000	4,464,000	4,464,000	22,320,000
12. Transfer to Clean Water Financing Authority Debt Service Payment Fund	1,309,000	1,697,000	1,662,000	1,662,000	1,660,000	1,675,000	8,356,000
Total General Non-Construction	6,201,000	6,547,000	6,307,000	6,307,000	6,306,000	6,320,000	31,787,000
Contributions, Loans and Transfers to General Fund							
Calpine Access Road Easement	355,000						
City Hall Operating and Maintenance		13,000	14,000	14,000	14,000	15,000	70,000
Total Contributions, Loans and Transfers to General Fund	355,000	13,000	14,000	14,000	14,000	15,000	70,000
Reserves							
13. Reserve for Equipment Replacement		5,000,000					5,000,000
14. Reserve for GRS Agreement		1,500,000					1,500,000

Water Pollution Control Capital Program
2006-2010 Adopted Capital Improvement Program

Use of Funds

USE OF FUNDS (CONT'D.)	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	5-Year Total
<u>Non-Construction</u>							
Reserves							
15. Reserve for Rate Studies		200,000					200,000
Total Reserves		6,700,000					6,700,000
Total Non-Construction	6,556,000	13,260,000	6,321,000	6,321,000	6,320,000	6,335,000	38,557,000
Ending Fund Balance	40,274,673	9,809,673	6,653,673	2,986,673	4,331,673	420,673	420,673*
TOTAL USE OF FUNDS	176,621,673	55,180,673	24,717,673	22,266,673	19,471,673	34,585,673	132,440,673*

* The 2005-2006 through 2008-2009 Ending Balances are excluded from the FIVE-YEAR TOTAL USE OF FUNDS to avoid multiple counting of same funds.

2005-2006 CAPITAL BUDGET

2006-2010 CAPITAL IMPROVEMENT PROGRAM

WATER POLLUTION CONTROL DETAIL OF CAPITAL PROJECTS

The Detail of Capital Projects section provides information on the individual capital projects with funding in 2005-2006, including the following: project name, City Service Area (CSA) and CSA Outcome supported by the project, responsible department, Council District, project location, project description, project start and completion dates, project justification, project costs by type of expenditure, funding sources for the project, and the annual operating budget impact. On the Use of Funds statement, these projects are numbered.

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Detail of Capital Projects

1. Dissolved Air Flotation Pressure Retention Tank & Valves

CSA: Environmental and Utility Services **Initial Start Date:** 3rd Qtr. 2004
CSA Outcome: Reliable Utility Infrastructure **Revised Start Date:**
Department: Environmental Services **Initial Completion Date:** 3rd Qtr. 2010
Council District: 4 **Revised Completion Date:**
Location: Water Pollution Control Plant

Description: This project will replace 15 of the 16 pressurized tanks and their valves located in the sludge processing area.

Justification: The pressurized steel tanks have outlived their useful service lives and require replacement to ensure safety and process reliability.

EXPENDITURE SCHEDULE (000'S)										
Cost Elements	Prior Years	2004-05 Appn.	2004-05 Estimate	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total	Beyond 5-Year
Design		30		30		30		30	90	30
Construction		140		342		342		342	1,026	341
Engineering & Inspection		30		30		30		30	90	30
TOTAL		200		402		402		402	1,206	401

FUNDING SOURCE SCHEDULE (000'S)										
San José-Santa Clara Treatment Plant Capital Fund		200		402		402		402	1,206	401
TOTAL		200		402		402		402	1,206	401

ANNUAL OPERATING BUDGET IMPACT (000'S)										
None										

Major Changes in Project Cost:

None

Notes:

FY Initiated: 2004-2005
Initial Project Budget: \$1,600,000
Appn. #: 5157

Redevelopment Area: N/A
SNI Area: N/A

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Detail of Capital Projects

2. Land Management & Improvements

CSA: Environmental and Utility Services **Initial Start Date:** 2nd Qtr. 1997
CSA Outcome: Healthy Streams, Rivers, Marsh and Bay **Revised Start Date:**
Department: Environmental Services **Initial Completion Date:** 1st Qtr. 2007
Council District: 4 **Revised Completion Date:** 2nd Qtr. 2012
Location: Water Pollution Control Plant

Description: This project provides resources for the environmental planning and review of technical issues related to the development and evaluation of possible alternative uses of salt pond A18 and the San José/Santa Clara Water Pollution Control Plant buffer lands. The project also provides for the implementation of the planning effort, with Council approval, after the five-year budget period.

Justification: The department purchased salt pond A18 in 2003. As the owner of pond A18, the City will be required to plan for future uses of A18. In addition, the City is also in negotiations with the State Water Resources Control Board for the management and restoration of the Moseley tract.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2004-05 Appn.	2004-05 Estimate	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total	Beyond 5-Year	Project Total
Development	20,181	55	55	150	150	150	150	5,000	5,600		25,836
TOTAL	20,181	55	55	150	150	150	150	5,000	5,600		25,836

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund	20,181	55	55	150	150	150	150	5,000	5,600		25,836
TOTAL	20,181	55	55	150	150	150	150	5,000	5,600		25,836

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

2005-2009 CIP - increase of \$500,000 for alternative use analysis, property management, and development of salt pond A18.

1999-2003 CIP - increase of \$15 million to address scope changes.

Notes:

Funding for the restoration of the Moseley land tract, formerly funded in the Salt Marsh Restoration appropriation, is now programmed in this Land Management and Improvements category. This project was previously titled "Land Acquisitions and Improvements."

FY Initiated:	1996-1997	Redevelopment Area:	N/A
Initial Project Budget:	\$10,100,000	SNI Area:	N/A
Appn. #:	6147		

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Detail of Capital Projects

3. WPCP Reliability Improvements

CSA: Environmental and Utility Services **Initial Start Date:** 2nd Qtr. 2000
CSA Outcome: Reliable Utility Infrastructure **Revised Start Date:** 2nd Qtr. 2003
Department: Environmental Services **Initial Completion Date:** 2nd Qtr. 2008
Council District: 4 **Revised Completion Date:** 2nd Qtr. 2009
Location: Water Pollution Control Plant

Description: The goal of this project is to improve the Plant's ability to handle wet weather flows and improve the reliability of several of the plant's critical systems, such as headworks, filtration, and major pumping stations. The project will also look at ways to improve the reliability and efficiency of producing recycled water, as well as water discharge to the Bay. Funding in 2007-2008 provides an allocation to evaluate operating processes, provide for operating manual development, and fund start up costs for the headworks upon completion of the WPCP Reliability Improvements project. The revised start date reflects the design phase, which preceded the construction project described here.

Justification: Over the past several winters, the Plant has experienced wet weather flows that exceed the original hydraulic design of some of the Plant's treatment facilities. These periodic high flows have caused sewage overflows and process upsets that make the Plant vulnerable to future incidents. Improvements in the Plant's ability to handle wet weather flows in a reliable and consistent manner require the rehabilitation or replacement of existing major facilities and/or the addition of new facilities.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	Prior Years	2004-05 Appn.	2004-05 Estimate	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total	Beyond 5-Year	Project Total
Development	770										770
Design	3,450										3,450
Construction	1,966	80,626	80,026	600		2,009			2,609		84,601
TOTAL	6,186	80,626	80,026	600		2,009			2,609		88,821
FUNDING SOURCE SCHEDULE (000'S)											
San José-Santa Clara Treatment Plant Capital Fund	6,186	80,626	80,026	600		2,009			2,609		88,821
TOTAL	6,186	80,626	80,026	600		2,009			2,609		88,821
ANNUAL OPERATING BUDGET IMPACT (000'S)											
None											

Major Changes in Project Cost:

2006-2010 CIP - increase of \$25 million to fund higher than anticipated construction costs related to the price escalation of cement, reinforced concrete pipe, and steel.

2005-2009 CIP - increase of \$6 million to fund construction costs based on revised estimates at 90% design completion.

2004-2008 CIP - increase of \$11 million based on revised estimates at 10% design completion.

2003-2007 CIP - increase of \$40 million to fund anticipated reliability project.

Notes:

Funding in 2007-2008 provides an allocation for start up costs, providing training, and creating an online operating manual upon completion of the WPCP Reliability Improvements project.

FY Initiated: 1998-1999 **Redevelopment Area:** N/A
Initial Project Budget: \$4,000,000 **SNI Area:** N/A
Appn. #: 6585

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Detail of Capital Projects

4. Revised South Bay Action Plan - Industrial Recycle/Reuse

CSA:	Environmental and Utility Services	Initial Start Date: 3rd Qtr. 1999
CSA Outcome:	Healthy Streams, Rivers, Marsh and Bay	Revised Start Date:
Department:	Environmental Services	Initial Completion Date: 2nd Qtr. 2003
Council District:	4	Revised Completion Date: 2nd Qtr. 2010
Location:	Water Pollution Control Plant	

Description: This project provides technical assistance and retrofit equipment required to ensure industrial users in the service area are recycling their wastewater and/or using South Bay Water Recycling (SBWR) to the largest extent possible. The project includes investigative research, pilot projects and a financial incentive program that will assist industrial users in implementing the use of SBWR, or water conservation and recycling of their own wastewater.

Justification: This project increases the use of SBWR recycled water or onsite use of industrial wastewater in manufacturing processes, thus reducing discharge to the sanitary sewer system. Industrial flow to the Plant ranges from 8 - 12 million gallons per day (mgd) and could be reduced by up to 25% (2 - 3 mgd). This project includes investigative research, stakeholder involvement, pilot studies, incentive/cost evaluation, and implementation.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2004-05 Appn.	2004-05 Estimate	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total	Beyond 5-Year	Project Total
Development	683	49	50	100	100	100	100		400		1,133
TOTAL	683	49	50	100	100	100	100		400		1,133

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund	683	49	50	100	100	100	100		400		1,133
TOTAL	683	49	50	100	100	100	100		400		1,133

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

2002-2006 CIP - decrease of \$1.6 million to reflect actual anticipated activities.
 2003-2007 CIP - decrease of \$1.8 million to reflect actual anticipated activities.
 2006-2010 CIP - decrease of \$200,000 to provide funding for WPCP Reliability Improvements Project.

Notes:

FY Initiated:	1997-1998	Redevelopment Area:	N/A
Initial Project Budget:	\$5,000,000	SNI Area:	N/A
Appn. #:	6588		

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Detail of Capital Projects

5. Revised South Bay Action Plan - SBWR Extension

CSA:	Environmental and Utility Services	Initial Start Date:	Ongoing
CSA Outcome:	Healthy Streams, Rivers, Marsh and Bay	Revised Start Date:	
Department:	Environmental Services	Initial Completion Date:	Ongoing
Council District:	4	Revised Completion Date:	
Location:	Water Pollution Control Plant		

Description: The National Pollutant Discharge Elimination System (NPDES) permit requires continued development of the South Bay Water Recycling (SBWR) system to increase use of recycled water and further reduce Plant discharge. This allocation consists of the completion of the design and construction of SBWR Phase II facilities in Santa Clara and Milpitas, and extension of a recycled water transmission line to serve the planned Metcalf Energy Center in South San José and the new City Hall. In addition, this allocation funds future recycled water projects not yet identified.

Justification: The Revised SBAP, adopted by the Council in June 2001, provides for an integrated, cost-effective combination of water conservation, industrial reuse and water recycling projects. The SBWR Extension Project includes construction of extensions to the existing recycled water distribution system that will provide additional capacity and ensure diversification of a beneficial resource while reducing flow to the Bay.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	Prior Years	2004-05 Appn.	2004-05 Estimate	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total	Beyond 5-Year	Project Total
Development											
Property & Land		8,000	8,000								
Design		690	690								
Construction		42,782	23,142	20,391	391	391	391	391	21,955		
TOTAL		51,472	31,832	20,391	391	391	391	391	21,955		

FUNDING SOURCE SCHEDULE (000'S)											
San José-Santa Clara Treatment Plant Capital Fund		51,472	31,832	20,391	391	391	391	391	21,955		
TOTAL		51,472	31,832	20,391	391	391	391	391	21,955		

ANNUAL OPERATING BUDGET IMPACT (000'S)											
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None

Major Changes in Project Cost:

N/A

Notes:

Project schedule dates and selected budget information are not provided due to the ongoing nature of this project. A \$391,000 annual allocation beginning in 2005-2006 represents recycled water pipeline funding from Calpine for their share of the pipeline to the Metcalf Energy Center. This allocation is anticipated to fund future recycled water projects.

FY Initiated:	Ongoing	Redevelopment Area:	N/A
Initial Project Budget:		SNI Area:	N/A
Appn. #:	6589		

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Detail of Capital Projects

6. Equipment Replacement

CSA:	Environmental and Utility Services	Initial Start Date:	Ongoing
CSA Outcome:	Reliable Utility Infrastructure	Revised Start Date:	
Department:	Environmental Services	Initial Completion Date:	Ongoing
Council District:	4	Revised Completion Date:	
Location:	Water Pollution Control Plant		

Description: This project provides for the replacement and rehabilitation of WPCP equipment. Equipment anticipated to be replaced or rehabilitated within the five year horizon includes air compressors, tanks, pumps, motors, control systems, valves, heat exchangers, engine auxiliaries, lab instruments and other equipment as required. Existing engine-generators and engine-blowers will be retrofitted to meet Air Quality Board emission requirements.

Justification: Replacement and rehabilitation of WPCP equipment is necessary as a result of wear, obsolescence or regulatory requirements. Replacement and rehabilitation will ensure continued efficient operation of the Plant facilities.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2004-05 Appn.	2004-05 Estimate	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total	Beyond 5-Year	Project Total
Equipment		2,564	2,564	1,600	1,525	1,525	1,525	1,525	7,700		
TOTAL		2,564	2,564	1,600	1,525	1,525	1,525	1,525	7,700		

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		2,564	2,564	1,600	1,525	1,525	1,525	1,525	7,700		
TOTAL		2,564	2,564	1,600	1,525	1,525	1,525	1,525	7,700		

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

N/A

Notes:

Project schedule dates and selected budget information are not provided due to the ongoing nature of this project.

FY Initiated:	Ongoing	Redevelopment Area:	N/A
Initial Project Budget:		SNI Area:	N/A
Appn. #:	4332		

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Detail of Capital Projects

7. Plant Infrastructure Improvements

CSA: Environmental and Utility Services **Initial Start Date:** Ongoing
CSA Outcome: Reliable Utility Infrastructure **Revised Start Date:**
Department: Environmental Services **Initial Completion Date:** Ongoing
Council District: 4 **Revised Completion Date:**
Location: Water Pollution Control Plant

Description: This project provides for improvements, rehabilitation, or replacement of existing Plant infrastructure and fixed works: process facilities; buildings, structures and supporting facilities; piping and auxiliaries; instrumentation; and electrical generation, distribution and control systems.

Justification: Rehabilitation, improvements, and replacement of capital infrastructure are necessary to maintain process viability and to ensure regulatory compliance, structural integrity, reliability, functionality, and safety of Plant buildings and process facilities for intended uses.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	Prior Years	2004-05 Appn.	2004-05 Estimate	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total	Beyond 5-Year	Project Total
Construction		5,636	5,636	8,418	4,827	7,632	3,401	5,238	29,516		
TOTAL		5,636	5,636	8,418	4,827	7,632	3,401	5,238	29,516		

FUNDING SOURCE SCHEDULE (000'S)											
San José-Santa Clara Treatment Plant Capital Fund		5,636	5,636	8,418	4,827	7,632	3,401	5,238	29,516		
TOTAL		5,636	5,636	8,418	4,827	7,632	3,401	5,238	29,516		

ANNUAL OPERATING BUDGET IMPACT (000'S)											
None											

Major Changes in Project Cost:
 N/A

Notes:
 Project schedule dates and selected budget information are not provided due to the ongoing nature of this project.

FY Initiated: Ongoing **Redevelopment Area:** N/A
Initial Project Budget: **SNI Area:** N/A
Appn. #: 5690

Water Pollution Control Capital Program
2006-2010 Adopted Capital Improvement Program
Detail of Capital Projects

8. Unanticipated/Critical Repairs

CSA:	Environmental and Utility Services	Initial Start Date:	Ongoing
CSA Outcome:	Reliable Utility Infrastructure	Revised Start Date:	
Department:	Environmental Services	Initial Completion Date:	Ongoing
Council District:	4	Revised Completion Date:	
Location:	Water Pollution Control Plant		

Description: This allocation provides funding for any unanticipated and/or critical repairs.

Justification: It is necessary to have funds available to pay for unforeseen conditions discovered during any project construction phase or repairs to Plant infrastructure to quickly respond to needs.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2004-05 Appn.	2004-05 Estimate	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total	Beyond 5-Year	Project Total
Construction		332	332	250	250	250	250	250	1,250		
TOTAL		332	332	250	250	250	250	250	1,250		

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		332	332	250	250	250	250	250	1,250		
TOTAL		332	332	250	250	250	250	250	1,250		

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

N/A

Notes:

Project schedule dates and selected budget information are not provided due to the ongoing nature of this project.

FY Initiated:	Ongoing	Redevelopment Area:	N/A
Initial Project Budget:		SNI Area:	N/A
Appn. #:	5691		

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Detail of Capital Projects

9. Arbitrage Rebate Payment

CSA:	Environmental and Utility Services	Initial Start Date: 2nd Qtr. 2004
CSA Outcome:	Healthy Streams, Rivers, Marsh and Bay	Revised Start Date:
Department:	Environmental Services	Initial Completion Date: 2nd Qtr. 2006
Council District:	4	Revised Completion Date:
Location:	Water Pollution Control Plant	

Description: This allocation provides funding for remittance to the IRS of interest earned in excess of the arbitrage yield on the bonds.

Justification: Federal tax law requires the remittance to the IRS of interest in excess of the arbitrage yield on the bonds.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	Prior Years	2004-05 Appn.	2004-05 Estimate	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total	Beyond 5-Year	Project Total
Transfer to Other Agencies		100	100	300					300		400
TOTAL		100	100	300					300		400

FUNDING SOURCE SCHEDULE (000'S)											
San José-Santa Clara Treatment Plant Capital Fund		100	100	300					300		400
TOTAL		100	100	300					300		400

ANNUAL OPERATING BUDGET IMPACT (000'S)											
None											

Major Changes in Project Cost:

2006-2010 CIP - decrease of \$100,000 to reflect payments that were not needed in 2003-2004.

Notes:

FY Initiated:	2003-2004	Redevelopment Area:	N/A
Initial Project Budget:	\$500,000	SNI Area:	N/A
Appn. #:	4684		

Water Pollution Control Capital Program
2006-2010 Adopted Capital Improvement Program
Detail of Capital Projects

10. Payment for Clean Water Financing Authority Trustee

CSA:	Environmental and Utility Services	Initial Start Date:	Ongoing
CSA Outcome:	Reliable Utility Infrastructure	Revised Start Date:	
Department:	Environmental Services	Initial Completion Date:	Ongoing
Council District:	4	Revised Completion Date:	
Location:	Water Pollution Control Plant		

Description: This project provides for administrative costs of the San José/Santa Clara Clean Water Financing Authority related to bond issues, including necessary audits, transfers, registration, investment, and disbursement fees.

Justification: Services from the Clean Water Financing Authority are necessary to administer financing issued for the Plant.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2004-05 Appn.	2004-05 Estimate	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total	Beyond 5-Year	Project Total
Program Management		135	135	70	135	135	135	135	610		
TOTAL		135	135	70	135	135	135	135	610		

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		135	135	70	135	135	135	135	610		
TOTAL		135	135	70	135	135	135	135	610		

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

N/A

Notes:

FY Initiated:	Ongoing	Redevelopment Area:	N/A
Initial Project Budget:		SNI Area:	N/A
Appn. #:	6584		

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Detail of Capital Projects

11. State Revolving Fund Loan Repayment

CSA: Environmental and Utility Services **Initial Start Date:** 3rd Qtr. 1998
CSA Outcome: Healthy Streams, Rivers, Marsh and Bay **Revised Start Date:**
Department: Environmental Services **Initial Completion Date:** 2nd Qtr. 2019
Council District: 4 **Revised Completion Date:**
Location: Water Pollution Control Plant

Description: This allocation provides for the repayment of low interest State loans awarded for the South Bay Water Recycling projects.

Justification: This is a contractual obligation. The loans will be repaid over a 20-year period.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	Prior Years	2004-05 Appn.	2004-05 Estimate	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total	Beyond 5-Year	Project Total
Debt Service	23,528	4,464	4,464	4,464	4,464	4,464	4,464	4,464	22,320	38,102	88,414
TOTAL	23,528	4,464	4,464	4,464	4,464	4,464	4,464	4,464	22,320	38,102	88,414

FUNDING SOURCE SCHEDULE (000'S)											
San José-Santa Clara Treatment Plant Capital Fund	23,528	4,464	4,464	4,464	4,464	4,464	4,464	4,464	22,320	38,102	88,414
TOTAL	23,528	4,464	4,464	4,464	4,464	4,464	4,464	4,464	22,320	38,102	88,414

ANNUAL OPERATING BUDGET IMPACT (000'S)											
None											

Major Changes in Project Cost:

None

Notes:

FY Initiated:	1998-1999	Redevelopment Area:	N/A
Initial Project Budget:	\$87,533,000	SNI Area:	N/A
Appn. #:	6590		

Water Pollution Control Capital Program
2006-2010 Adopted Capital Improvement Program
Detail of Capital Projects

12. Transfer to Clean Water Financing Authority Debt Service Payment Fund

CSA: Environmental and Utility Services **Initial Start Date:** 2nd Qtr. 1996
CSA Outcome: Healthy Streams, Rivers, Marsh and Bay **Revised Start Date:**
Department: Environmental Services **Initial Completion Date:** 4th Qtr. 2020
Council District: 4 **Revised Completion Date:**
Location: Water Pollution Control Plant

Description: This funding provides for the transfer of Santa Clara's and outside agencies' shares of the 1995 Series A and B Revenue Bonds to the Clean Water Financing Authority Debt Service Payment Funds.

Justification: Repayment of bonds is a requirement of the bonding agreement.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2004-05 Appn.	2004-05 Estimate	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total	Beyond 5-Year	Project Total
Debt Service	6,584	1,309	1,309	1,697	1,662	1,662	1,660	1,675	8,356	20,697	36,946
TOTAL	6,584	1,309	1,309	1,697	1,662	1,662	1,660	1,675	8,356	20,697	36,946

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund	6,584	1,309	1,309	1,697	1,662	1,662	1,660	1,675	8,356	20,697	36,946
TOTAL	6,584	1,309	1,309	1,697	1,662	1,662	1,660	1,675	8,356	20,697	36,946

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

None

Notes:

FY Initiated: 2001-2002 **Redevelopment Area:** N/A
Initial Project Budget: \$34,851,000 **SNI Area:** N/A
Appn. #: 0005

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Detail of Capital Projects

13. Reserve for Equipment Replacement

CSA:	Environmental and Utility Services	Initial Start Date:	N/A
CSA Outcome:	Reliable Utility Infrastructure	Revised Start Date:	
Department:	Environmental Services	Initial Completion Date:	N/A
Council District:	4	Revised Completion Date:	
Location:	Water Pollution Control Plant		

Description: Funding provides a reserve for replacement and rehabilitation of equipment which, due to age, wear, or obsolescence, must be replaced for the efficient operation of the Plant. Reserved funds are available to pay for unforeseen extraordinary costs to the extent that there are no other funds budgeted for such purposes.

Justification: Provisions of the Improvement Agreement between the San José/Santa Clara Clean Water Financing Authority and bondholders, as well as the adopted Master Agreements for Wastewater Treatment with the various tributary agencies, require that replacement funds be segregated.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	Prior Years	2004-05 Appn.	2004-05 Estimate	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total	Beyond 5-Year	Project Total
Reserve		5,000		5,000					5,000		
TOTAL		5,000		5,000					5,000		

FUNDING SOURCE SCHEDULE (000'S)											
San José-Santa Clara Treatment Plant Capital Fund		5,000		5,000					5,000		
TOTAL		5,000		5,000					5,000		

ANNUAL OPERATING BUDGET IMPACT (000'S)											
None											

Major Changes in Project Cost:

N/A

Notes:

Unexpended funds are rebudgeted each year.

FY Initiated:	Ongoing	Redevelopment Area:	N/A
Initial Project Budget:		SNI Area:	N/A
Appn. #:	7908		

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Detail of Capital Projects

14. Reserve for GRS Agreement

CSA:	Environmental and Utility Services	Initial Start Date: 3rd Qtr. 2002
CSA Outcome:	Reliable Utility Infrastructure	Revised Start Date:
Department:	Environmental Services	Initial Completion Date: 2nd Qtr. 2008
Council District:	4	Revised Completion Date:
Location:	Water Pollution Control Plant	

Description: Funding provides a contingency reserve for an agreement with GRS, Inc. to construct a pipeline from the neighboring landfill to the Plant for the delivery of methane gas to fuel electrical generators.

Justification: The establishment of a contingency reserve is necessary to secure a price structure that guarantees the Plant savings on energy expenditures without the need for capital outlay. GRS, Inc. will assume all construction costs associated with the project in return for the Plant's guarantee to utilize the methane gas for the next five years.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2004-05 Appn.	2004-05 Estimate	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total	Beyond 5-Year	Project Total
Reserve		1,800		1,500					1,500		1,500
TOTAL		1,800		1,500					1,500		1,500

FUNDING SOURCE SCHEDULE (000'S)

San José-Santa Clara Treatment Plant Capital Fund		1,800		1,500					1,500		1,500
TOTAL		1,800		1,500					1,500		1,500

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

Unexpended funds are reduced each year after construction and benefit of the project was realized starting in 2003-2004.

Notes:

FY Initiated:	2002-2003	Redevelopment Area:	N/A
Initial Project Budget:	\$2,300,000	SNI Area:	N/A
Appn. #:	4327		

Water Pollution Control Capital Program
2006-2010 Adopted Capital Improvement Program
Detail of Capital Projects

15. Reserve for Rate Studies

CSA: Environmental and Utility Services **Initial Start Date:** N/A
CSA Outcome: Reliable Utility Infrastructure **Revised Start Date:**
Department: Environmental Services **Initial Completion Date:** N/A
Council District: 4 **Revised Completion Date:**
Location: Water Pollution Control Plant

Description: Funding provides for a reserve for the study and review of rate structures within the industry in the near future.

Justification: Future uncertainty requires that provisions be made to ensure the continual operation of the facility. As a result, future costs and revenues must be controlled and managed. Rate studies are needed periodically to access the industry norms and anticipate future changes whenever possible.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	Prior Years	2004-05 Appn.	2004-05 Estimate	2005-06	2006-07	2007-08	2008-09	2009-10	5-Year Total	Beyond 5-Year	Project Total
Reserve		200		200					200		200
TOTAL		200		200					200		200

FUNDING SOURCE SCHEDULE (000'S)											
San José-Santa Clara Treatment Plant Capital Fund		200		200					200		200
TOTAL		200		200					200		200

ANNUAL OPERATING BUDGET IMPACT (000'S)											
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None

Major Changes in Project Cost:

None

Notes:

FY Initiated: 2003-2004 **Redevelopment Area:** N/A
Initial Project Budget: **SNI Area:** N/A
Appn. #: 4674

2005-2006 CAPITAL BUDGET

2006-2010 CAPITAL IMPROVEMENT PROGRAM

WATER POLLUTION CONTROL

SUMMARY OF PROJECTS THAT START AFTER 2005-2006

SUMMARY OF PROJECTS WITH CLOSE-OUT COSTS ONLY IN 2005- 2006

EXPLANATION OF FUNDS FLOW AND PRIORITY OF FUNDS

The Summary of Projects that Start after 2005-2006 includes those projects that have funding budgeted starting after 2005-2006. The Summary of Projects with Close-Out Costs Only in 2005-2006 includes those projects that are near completion with only minimal costs (typically inspection services and program management) to finish the project budgeted in 2005-2006. On the Use of Funds statement, the projects in these summaries are not numbered.

Water Pollution Control Capital Program
2006-2010 Adopted Capital Improvement Program
Summary of Projects that Start after 2005-2006

Project Name: Alternative Disinfection
5-Year CIP Budget: \$4,500,000
Total Budget: \$5,100,000

Council District: 4
Estimated Start Date: 2nd Qtr. 2004
Estimated End Date: 2nd Qtr. 2008

Description: The WPCP disinfects the filtered effluent using chlorine and neutralizes the chlorine residual with sulfur dioxide prior to discharge. Chlorine and sulfur dioxide are delivered to the Plant in railcar containers. To minimize risk of damage, this project provides funding for the design and construction of facilities to replace the gaseous chlorine and sulfur dioxide system with a liquid sodium hypochlorite and sodium bisulfite system. The estimated start date reflects the start of the alternative disinfection study, which preceded the construction project described here. The construction project will begin in 2006-2007. The estimated end date reflects the anticipated project completion.

Project Name: Inactive Lagoons Bio-Solids Removal
5-Year CIP Budget: \$500,000
Total Budget: \$1,853,000

Council District: 4
Estimated Start Date: 3rd Qtr. 2002
Estimated End Date: 2nd Qtr. 2010

Description: The Residual Sludge Management (RSM) facility currently has inactive lagoons, which contain about 320,000 dry tons of old, toxic bio-solid stockpiles constructed between 1960 and 1967, before vigorous and effective source control and pretreatment programs were implemented. Recently, these stockpiles have been analyzed and found to contain lead and cadmium at levels higher than Department of Toxic Substances Control (DTSC) guidelines. Possible disposal alternatives require further regulator and engineering feasibility evaluation. The estimated start date reflects the quarter in which expenditures were first incurred in this appropriation. These expenditures, however, were for a separate project scope. The Inactive Lagoons Bio-Solids Removal described here will not begin until 2007-2008. The estimated end date reflects the evaluation of alternative disposal of inactive lagoon stockpiles.

Project Name: Plant Electrical Reliability
5-Year CIP Budget: \$17,027,000
Total Budget: \$67,652,000

Council District: 4
Estimated Start Date: 3rd Qtr. 2008
Estimated End Date: 2nd Qtr. 2015

Description: This project will include a four-phase construction schedule based upon the recently completed master study. The project will replace and upgrade substations and switches, modify and upgrade power distribution buses and cabling, provide backup systems, and enhance the overall safety and reliability of the plant electrical systems.

Project Name: Replace Generators 1-5 (Power and Air Building)
5-Year CIP Budget: \$1,000,000
Total Budget: \$13,000,000

Council District: 4
Estimated Start Date: 3rd Qtr. 2008
Estimated End Date: 4th Qtr. 2014

Description: This project will replace aged and obsolete generating facilities and equipment in the Power and Air Building at the Water Pollution Control Plant.

Water Pollution Control Capital Program
2006-2010 Adopted Capital Improvement Program
Summary of Projects with Close-out Costs Only in 2005-2006

Project Name: South Bay Water Recycling Program
5-Year CIP Budget: \$200,000
Total Budget: \$117,361,207
Council District: 4

Initial Start Date: Multi-Phase
Revised Start Date:
Initial End Date: Multi-Phase
Revised End Date:

Description: This allocation funds remaining outstanding project close-out issues and outstanding claims. Project construction related to the South Bay Water Recycling Program Phase I have been completed.

Water Pollution Control Capital Program

2006-2010 Adopted Capital Improvement Program

Explanation of Funds

Revenues and expenditures for the operation and maintenance of the San José-Santa Clara Water Pollution Control Plant are accounted for by the City of San José, as administering agency, through the San José-Santa Clara Water Pollution Control Plant Operating Fund (Operating Fund) and the San José-Santa Clara Treatment Plant Capital Fund (Capital Fund), established by Ordinance 7214 in July, 1959.

Revenues from Tributary Agencies of the San José-Santa Clara Water Pollution Control Plant are recorded directly into the Treatment Plant Operating and Capital Funds respectively. The Tributary Agencies include the City of Milpitas, City of Cupertino, Burbank and Sunol Sanitary Districts, County Sanitation District No. 2-3, and West Valley Sanitation District.

Tributary Agencies are assessed for their share of annual operation, maintenance, equipment, and facilities replacement and capital costs, based on their respective flow and strength of sewage conveyed to the Plant.

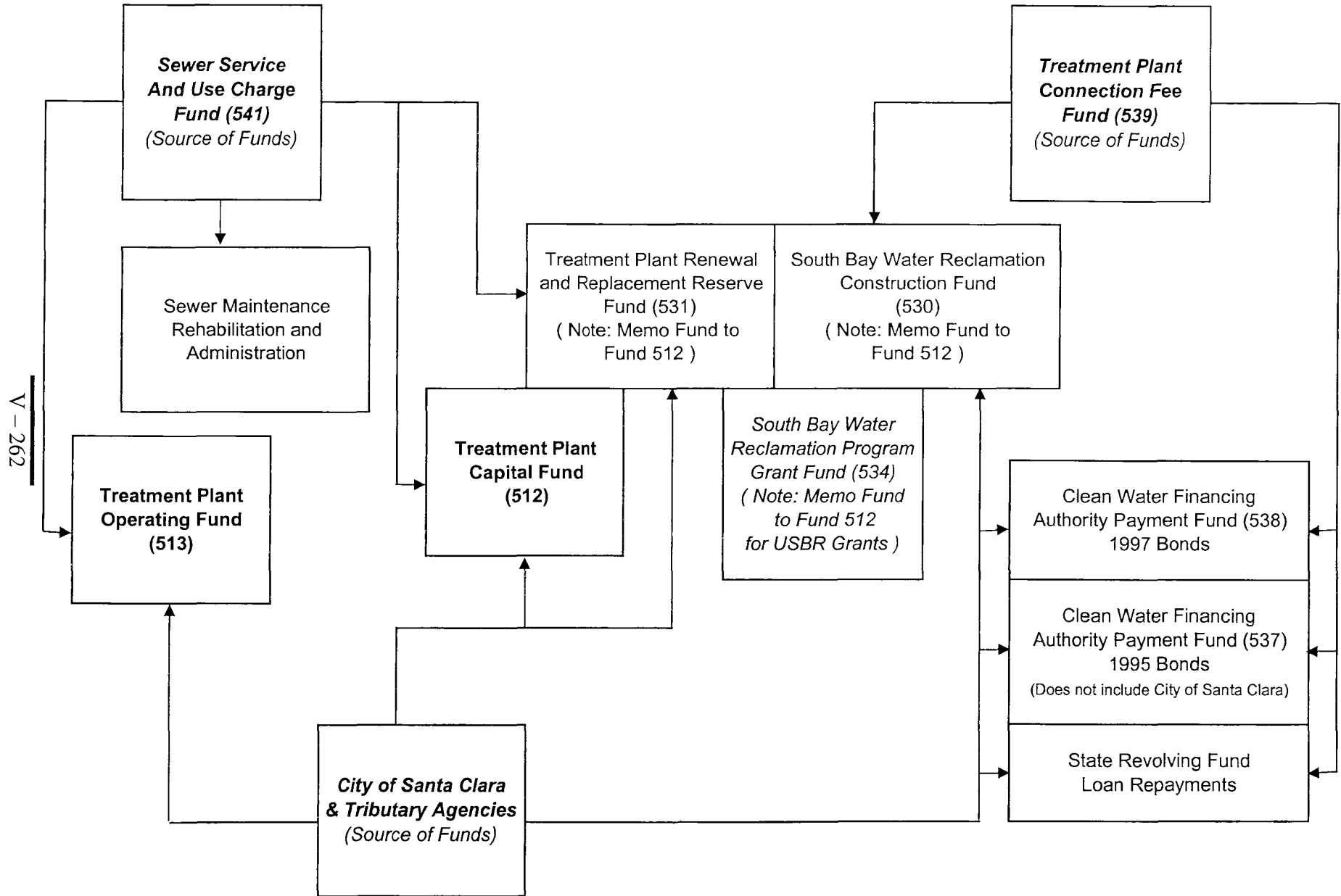
The San José Sewer Service and Use Charge Fund was established by the San José City

Council by Ordinance Number 7308, adopted in August, 1959. This fund is the depository of revenues from Sewer Service and Use Charges received from residential, commercial, and industrial users of the sanitary sewer system. A portion of these moneys are transferred to the Treatment Plant Operating and Capital Funds to pay for the City of San José's share of operating and capital costs of the Water Pollution Control Plant.

The Santa Clara Sewer Revenue Fund was established by Resolution Number 916 of the City Council of Santa Clara in October, 1960. Like the City of San José, revenues from this fund are transferred directly to the Treatment Plant Operating and Capital Funds.

The Treatment Plant Capital Fund provides all moneys used for capital projects. Included in this fund is the Treatment Plant Renewal and Replacement Fund. This fund was established to satisfy the Water Pollution Control Plant's federal and state grant agreements as well as to comply with bond covenants.

WATER POLLUTION CONTROL PLANT FLOW AND PRIORITY OF FUNDS



The arrows indicate the flow of funds from each of the various sources to the fund in which the revenues are expended.